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TS #142360-a
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19 July 1961

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Probable Impact of Alternative Programs to
Increase US Defense Spending

Effect on the USSR.

1. Course "A". A US declaration of national emergency and announcement of plans to increase military expenditures substantially -- say, by four to five billion dollars -- would not be taken by the Soviets as a bluff, particularly if other steps such as partial mobilization and new overseas deployments were also initiated. We believe that at the present juncture such moves would be seen by the Soviets as substantial evidence that the US position on the Berlin issue was hardening. While by themselves these measures would probably not persuade the Soviets that they should moderate their course at once, they would constitute strong considerations in moving them toward such a judgment.

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2. Course "B". A US announcement of an immediate increase in military expenditures on the order of one and one half billion dollars, with suggestion of later further increases of similar scale if the situation required -- but without declaration of a national emergency -- would probably be regarded by the Soviets as a temporizing measure and would have no great impact on their Berlin policy. They would particularly be inclined to take this view because it would be clear from the US press that a more extensive alternative had been rejected. They might believe that the suggestion of future increases was a bluff, unless the request was described as a first installment and there was concrete evidence of current step-up of real capabilities. However, it would offer the Soviets the opportunity of seeking ways of tempering the course of events so as to obviate further large-scale increases in the US defense effort.

3. Apart from their significance for the Berlin problem, the Soviet leaders would probably consider US steps to undertake a sustained expansion of its defense effort as a sign of a generally harder and more aggressive US stance on all issues

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of the cold war. To the extent that they believed that the new US course was still subject to moderation if they eased the Berlin crisis, they would see certain strong reasons for such easing. Not only would risks be heightened, but the new US course would also make it difficult to elicit a US response to possible future detente tactics and would otherwise reduce the range of future Soviet flexibility. Set against these considerations would be the desire not to appear to be flinching in the face of a generally more hostile US posture.

4. A substantial US increase in military effort would be regarded by the Soviets as having very serious implications in addition to the above-mentioned foreign political effects. The Soviets would see the problem of adjusting their own future military programs -- and of necessity also their long-run economic plans. While this consideration would probably be secondary to the foreign policy considerations, it would not be insignificant.

5. The Soviet judgment concerning Course "A" would also be influenced by Allied reactions. If the immediate Allied

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response were negative or highly fearful, the Soviets would probably feel that although their chief opponent's position was hardening, their opportunities for dividing the West and thereby inhibiting the US had improved. On the other hand, a positive Allied response, and even more, Allied willingness to follow suit with defense increases of their own, would reinforce the impact on the USSR of the US move.

Effect on Allied Unity.

6. Course "A". America's allies would judge any US action respecting Berlin with the following considerations in mind: (1) whether it strengthens the overall Western military position; (2) whether it has the desired effect of deterring the Soviets from unilateral moves against Berlin; and (3) whether it increases the risk of general war in which the allies would become involved. Against this background, a US declaration of national emergency and large-scale increase in military expenditures would signify to our allies, especially to de Gaulle and Adenauer, that the US government was taking measures of such a magnitude for a possible military confrontation

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as greatly to reduce the likelihood of any undesirable compromise in the present crisis. The NATO allies would also understand the implication that they themselves would be asked to increase their military preparedness. We believe that most of the NATO members would acquiesce in principle, but they would confine their contributions to limited measures of short duration. As an added consequence, the general publics of the NATO countries would be brought closer to a full realization of the gravity of the Berlin crisis and its impact on their lives.

7. As we have previously indicated (SNIE 2-2-61, para. 11), the immediate consequence of the adoption of the massive preparatory measures would be, at least initially, to strengthen NATO's cohesion in the face of an impending crisis. In certain quarters, however, particularly in Britain, the US program might be criticized on the grounds that it was a purely military response to a political problem, and would make negotiations more difficult. Although realizing that this course of action was likely to increase international tensions and the risk of general war, we believe that the NATO allies would support this course on the ground that the bargaining position of the West vis-à-vis the

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Soviets had been substantially improved. Nevertheless, if these US measures failed to produce a visibly sobering effect on Soviet behavior with regard to Berlin, latent misgivings would increase, particularly in Britain and the Scandinavian countries, and pressing demands for another attempt at negotiations with the Soviets would emerge. As the crisis sharpened, demands for full NATO participation in deciding on further steps would also grow more urgent.

8. Course "B". We believe that our allies would regard the adoption of a more limited action, such as announcement of a one and one-half billion dollar increase in defense spending, as a short term expedient designed to impress the Soviets with a minimum commitment. Thus, we believe the adoption of this more limited action would have little effect on allied unity, save raising doubts as to whether this course of action was "too little and too late."

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FOR THE BOARD OF NATIONAL ESTIMATES:

SHERMAN KENT
Chairman

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STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 19 July 61

TO : DCI

FROM : AD/NE

SUBJECT: Probable Impact of Alternative Programs to Increase US Defense Spending

1. The State Department will present to the NSC this afternoon an estimate of the impact on the Berlin situation of two alternative US defense programs. These are:

- (a) A request, about 2-3 weeks hence, for \$4-\$5 billion, with necessary taxes, stand-by controls, other legislation, and Declaration of National Emergency.
- (b) An immediate request for \$1-\$1.5 billion, without controls, taxes, etc., and a further request later, if necessary.

2. It might be useful for you to have our thoughts on the probable impact of these programs on ~~the~~ estimates of US intentions and on our Allies.

*If what Dick Helms reported
is true - some of what
follows may be of no
use to you.*